

INTERNAL CONTROL SELF-ASSESSMENT FORM (FOR FTA GRANTEES)

AGENCY NAME: _____

DATE OF ASSESSMENT: _____

Instructions:

This form has been designed to provide transit agency management staff with the information necessary to evaluate the agency's internal control and financial management system.

This form is based on the criteria for effective internal control as set forth in *Internal Control—Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Committee (the COSO Report), as well as the criteria for effective financial management systems established by FTA, based on 49 CFR Part 18, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (the "Common Rule").

This form is most useful when completed by individuals who have an understanding of internal control concepts.

Each question should be answered by a check mark in the appropriate column (YES, NO, or N/A). The questions have been prepared so that a positive (YES) answer will indicate a satisfactory degree of internal control. A negative (NO) answer will indicate a potential control weakness, which should be addressed if compensating controls do not already exist.

This form is divided into six major sections:

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This Internal Control Self-Assessment Form has been prepared and reviewed, as follows:

Prepared by _____ Date _____

Approved by _____ Date _____

SECTION I—CONTROL ENVIRONMENT

Section I of the form is designed to help the transit agency evaluate its overall control environment, which sets the tone of the organization and influences the control consciousness of its employees. The control environment encompasses the following factors:

- Integrity and ethical values
- Commitment to competence
- Board of directors or audit committee participation
- Management’s philosophy and operating style
- The agency’s organizational structure
- Assignment of authority and responsibility
- Human resource policies and practices

	YES	NO	N/A
1. Does agency management adequately convey the message that integrity cannot be compromised?	_____	_____	_____
2. Does a positive control environment exist, whereby there is an attitude of control consciousness throughout the agency (e.g., checks and balances, authorizations and approvals, segregation of duties, etc.), and a positive "tone at the top?"	_____	_____	_____
3. Is the competence of the agency’s employees commensurate with their responsibilities?	_____	_____	_____
4. Is management’s operating style (the way it assigns authority and responsibility, and organizes and trains its employees) generally embraced by the agency's employees?	_____	_____	_____
5. Does management fully understand the requirements of laws and regulations pertinent to its business, and in particular the financial management system requirements established by FTA based on 49 <i>CFR</i> Part 18, <i>Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Government</i> (the “Common Rule”)?	_____	_____	_____
6. Does agency management carefully consider the potential effects of taking unusual business risks or entering into non-routine financial transactions (e.g., innovative financing techniques)?	_____	_____	_____
7. Are financial statements prepared, approved, and submitted for review to management, the board of directors, or the audit committee at regular intervals?	_____	_____	_____

	YES	NO	N/A
8. Does agency management demonstrate concern about and willingness to correct important weaknesses in the system of internal control?	_____	_____	_____
9. Does the agency maintain an up-to-date accounting policies and procedures manual that covers accounting for fixed assets, the budget process, accounts payable process, procurement, payroll, etc.?	_____	_____	_____
10. Is there an up-to-date chart of accounts maintained and does it completely describe the nature of each account?	_____	_____	_____
11. Does management periodically review insurance coverage?	_____	_____	_____
12. Is insurance coverage adequate for FTA grant-funded rolling stock and other FTA grant-funded assets/equipment?	_____	_____	_____
13. Does management have a history of establishing reliable accounting estimates?	_____	_____	_____
14. Is there low turnover of accounting/finance, IT, and key management positions?	_____	_____	_____
15. Are key operating positions adequately staffed, thereby avoiding constant crisis?	_____	_____	_____
16. Is there sufficient coordination between the accounting/finance and IT departments, resulting in timely reports and closings?	_____	_____	_____
17. Is there an up-to-date organization chart that reflects the areas of responsibility and the line of reporting?	_____	_____	_____
18. Is the agency's organizational structure appropriate for its size and complexity?	_____	_____	_____
19. Are there formal (written) job descriptions that clearly set out duties and responsibilities?	_____	_____	_____
20. Are backgrounds and references of applicants for financial, IT, and key management positions investigated?	_____	_____	_____
21. Are reinvestigations performed periodically for individuals with sensitive positions or access to sensitive financial information?	_____	_____	_____

	YES	NO	N/A
22. Are individuals with sensitive positions or access to sensitive financial information required to sign security agreements and/or confidentiality agreements?	_____	_____	_____
23. Are personnel policies and employee benefit plans documented (written) and communicated to employees?	_____	_____	_____
24. Is there a formal (written) conflict of interest policy or code of conduct in effect?	_____	_____	_____
25. Are employees who handle cash, securities, and other valuable assets bonded?	_____	_____	_____
26. Do related employees, if any, have job assignments that minimize opportunities for collusion?	_____	_____	_____
27. Are employees adequately trained to meet their assigned responsibilities?	_____	_____	_____
28. Does the agency require a minimum level of annual training for all employees throughout the agency?	_____	_____	_____
29. Are there procedures in place to monitor and document training received for all employees?	_____	_____	_____
30. Are employees cross-trained to perform the duties of others during periods of absence (vacation, sick leave, etc.)?	_____	_____	_____
31. Is rotation of duties enforced by mandatory vacations?	_____	_____	_____
32. Is job performance periodically evaluated and reviewed with employees?	_____	_____	_____
33. Has management established policies and procedures for development, modification, and use of computer programs and data files?	_____	_____	_____
34. Does the agency have a board of directors or audit committee? If yes:	_____	_____	_____
a. Is the board or committee sufficiently independent of agency management?	_____	_____	_____
b. Does the board or committee take an active role in overseeing the agency's policies and practices?	_____	_____	_____

	YES	NO	N/A
c. Does the board or committee approve the appointment of the agency's independent auditors?	_____	_____	_____
d. Does the board or committee have sufficient knowledge, experience, and time to serve effectively?	_____	_____	_____
e. Does the board or committee constructively challenge management's planned decisions and take appropriate action if necessary (for example, conducting special investigations)?	_____	_____	_____
f. Does the board or committee meet in a timely manner with the chief accounting officer and internal and external auditors to discuss the reasonableness of the financial reporting process, the system of internal control, and other significant matters?	_____	_____	_____
g. Does the board or committee review the scope of activities of the external and internal auditors at least annually?	_____	_____	_____
h. Does the board or committee regularly receive and review key information, such as financial statements, major marketing initiatives, significant contracts, and negotiations?	_____	_____	_____
i. Does a process exist for informing the board or committee in a timely manner of sensitive information, investigation, and improper acts (e.g., significant litigation, investigations by regulatory agencies, embezzlement, misuses of corporate assets)?	_____	_____	_____
j. Is there appropriate oversight in determining the compensation and benefits of executive officers?	_____	_____	_____
k. Is the board or committee sufficiently involved in establishing and evaluating the effectiveness of the "tone at the top" (e.g., approving the agency's code of conduct or its policies and procedures manual)?	_____	_____	_____

SECTION II—RISK ASSESSMENT

Section II of the form is designed to help the agency evaluate its risk assessment process, which is the agency's process for "identification, analysis, and management of risks relevant to the preparation of financial statements and financial reports that are fairly presented in conformity with generally accepted accounting principles." Risks can arise or change due to circumstances such as the following:

- Changes in operating environment
- New personnel
- New or revamped information systems
- Rapid growth
- New technologies
- New business models, products, or services
- Organizational restructuring
- New accounting pronouncements

	YES	NO	N/A
1. Has management established clear agency-wide objectives and are they consistent with its business plans and budgets?	_____	_____	_____
2. Has management established objectives for key activities and are they consistent with and linked to the agency-wide objectives and strategies?	_____	_____	_____
3. Has agency management identified the resources and critical factors that are important to achieving its objectives (e.g., financing, personnel, facilities, technology, etc.)?	_____	_____	_____
4. Does agency management consider risks arising from external sources (e.g., supply sources, creditors' demands, regulation, natural events)?	_____	_____	_____
5. Does management consider risks arising from internal sources (e.g., retention of key personnel or changes in their responsibilities, compensation and benefit programs to keep the agency competitive, the adequacy of back-up systems in the event of failure of systems that could significantly affect operations)?	_____	_____	_____
6. Does management identify risks to key business functions and prioritize them for purposes of mitigating them?	_____	_____	_____
7. Does management identify and monitor significant shifts in the transit industry (e.g., changes in rider demographics, preferences, or spending patterns)?	_____	_____	_____

	YES	NO	N/A
8. Does agency management consult with its legal counsel regarding the implications of any new legislation?	_____	_____	_____
9. Are new employees in key positions adequately supervised to ensure that they understand and perform in accordance with the agency's policies and procedures?	_____	_____	_____
10. Are procedures in place to assess the effects of new or redesigned information systems and to monitor new technologies?	_____	_____	_____
11. Are procedures in place to handle rapidly increasing volumes of information and to filter the most relevant data for decision making?	_____	_____	_____
12. When considering development of new or expanded transit services, does agency management give appropriate consideration to major factors such as customer demand, service delivery capabilities, and cost/revenue implications?	_____	_____	_____
13. Are staff reassignments and/or staff reductions appropriately analyzed for their potential effect on operations or on the morale of the remaining employees?	_____	_____	_____
14. Is management aware of the existence of new accounting or reporting pronouncements and how they may affect the agency's financial reporting practices?	_____	_____	_____

SECTION III—CONTROL ACTIVITIES

Section III of the form is designed to help the agency evaluate its control activities. Control activities are the policies and procedures that help ensure management’s directives are effective in processing and preparing financial statements and other required financial reports. To successfully address risks and achieve its objectives, agency management must institute various control activities, such as segregation of duties, physical controls, and a system of approvals.

	YES	NO	N/A
1. Does agency management have clear objectives in terms of budget, revenue, cost, and other financial and operating goals? If yes, are such objectives:	_____	_____	_____
a. Clearly written?	_____	_____	_____
b. Actively communicated throughout the agency?	_____	_____	_____
c. Actively monitored?	_____	_____	_____
2. Do the planning and reporting systems in place:			
a. Adequately identify variances from planned performance?	_____	_____	_____
b. Adequately communicate variances to the appropriate level of management?	_____	_____	_____
3. Does the appropriate level of management:			
a. Adequately investigate variances?	_____	_____	_____
b. Take appropriate and timely corrective action?	_____	_____	_____
4. Does the agency have a documented system for ensuring that financial and accounting records are proper, complete, orderly, and well-maintained?	_____	_____	_____
5. Has management established procedures to prevent unauthorized access to, or destruction of, documents, records, and assets?	_____	_____	_____
6. Are there procedures in place to ensure that terminated employees' access to documents, records, and assets is appropriately restricted?	_____	_____	_____
7. Has management established record retention policies that conform to FTA's grant/Common Rule requirements?	_____	_____	_____

	YES	NO	N/A
8. Has management established policies for controlling access to computer programs and data files?	_____	_____	_____
9. Does management regularly monitor such policies?	_____	_____	_____
10. Is the general ledger/accounting system substantiated and updated on a monthly basis, in a timely and accurate manner, with appropriate reviews and approvals?	_____	_____	_____
11. Are amounts recorded by the accounting system periodically compared with physical assets?	_____	_____	_____
12. Are control and subsidiary accounts reconciled regularly and discrepancies reported to appropriate personnel?	_____	_____	_____
13. Are signatures required to evidence the performance of critical control functions, such as reconciling accounts?	_____	_____	_____
14. Are general journal entries and reclassification entries, other than standard entries, required to be signed and approved by a responsible official not involved with their origination?	_____	_____	_____
15. Are accounting estimates and judgments made only by knowledgeable and responsible personnel?	_____	_____	_____
16. Does the accounting system provide in a timely manner the necessary information for the preparation of financial statements and related disclosures, as well as other required financial reports (internal and external), in accordance with generally accepted accounting principles or another comprehensive basis of accounting?	_____	_____	_____
17. Does the accounting system maintain sufficient detail regarding FTA grant activities, and the source (i.e., grant number) and application of FTA grant funds?	_____	_____	_____
18. Are financial statements and related disclosures, as well as other required financial reports (internal and external), prepared and reviewed by competent personnel who are knowledgeable of the factors affecting the organization's financial reporting requirements?	_____	_____	_____

SECTION IV—INFORMATION AND COMMUNICATIONS

Section IV of the form is designed to help the agency evaluate its information and communication systems. Information is identified, captured, processed, and reported by information systems. Relevant information includes industry, economic, and regulatory information obtained from external sources, as well as internally generated information.

Communications are inherent in information processing. Communications involve providing a clear understanding of individual roles and responsibilities in an effective manner. This may be accomplished through policy manuals, accounting manuals, or other means, and can be made orally.

	YES	NO	N/A
<i>Information</i>			
1. Does the agency have mechanisms in place to obtain relevant external information (e.g., on market conditions, legislative or regulatory developments, and economic changes) and internally generated information critical to the achievement of the agency’s objectives?	_____	_____	_____
2. Is the information provided to the right employees in sufficient detail and on time to enable them to carry out their responsibilities efficiently and effectively?	_____	_____	_____
3. Is the development or revision of information systems over financial reporting based on a strategic plan and interrelated with the agency’s overall information systems, and is it responsive to achieving the agency-wide and activity-level objectives?	_____	_____	_____
4. Does agency management commit the appropriate human and financial resources to develop the necessary financial reporting information systems?	_____	_____	_____

<i>Communications</i>			
1. Does agency management communicate employees’ duties and control responsibilities in an effective manner?	_____	_____	_____
2. Are there communication channels and procedures in place for people (employees and other parties) to report suspected improprieties?	_____	_____	_____
3. Do communications flow across the agency timely (e.g., from maintenance to accounting/finance) to enable employees to discharge their responsibilities effectively?	_____	_____	_____

	YES	NO	N/A
4. Does agency management take timely and appropriate follow-up action on communications received from customers, vendors, FTA, other regulators, and/or other external parties?	_____	_____	_____
5. Do other parties outside the agency review and follow up on the agency's actions and/or requirements (e.g., an active review of bank loan agreements)?	_____	_____	_____

SECTION V—MONITORING

Section V of the form is designed to help the agency evaluate its monitoring system. Monitoring is a process that assesses the quality of internal control performance over time. It involves:

- Timely evaluation by appropriate personnel of the design and operation of controls
- Identifying areas of improvement and corrective actions
- Follow-up procedures to determine that necessary actions are implemented

Monitoring can be accomplished in manners such as the following:

- Ongoing internal activities
- Internal audit function
- External monitoring activities

	YES	NO	N/A
1. Is operating information used to manage operations integrated, tied to, or reconciled with data generated by the financial reporting system (e.g., ridership data vs. recorded fare revenues, or farebox collections vs. cash balances/deposits, etc.)?	_____	_____	_____
2. Are customer complaints:			
a. Investigated timely?	_____	_____	_____
b. Used as a means to identify and correct control deficiencies?	_____	_____	_____
3. Are communications from vendors and monthly statements of accounts payable used as a method to detect potential problems?	_____	_____	_____
4. Are internal control recommendations made by external auditors (and internal auditors, if applicable) actually implemented?	_____	_____	_____
5. Does management receive employee feedback from training seminars, planning sessions, and other meetings on whether controls operate effectively?	_____	_____	_____
6. Does the agency take a fresh look at the internal control system from time to time and evaluate its effectiveness? If yes:	_____	_____	_____
a. Does the evaluation process include checklists, questionnaires, or other tools?	_____	_____	_____
b. Are the evaluations documented?	_____	_____	_____

	YES	NO	N/A
7. Does the agency have an internal audit function? If yes, do the internal auditors:	_____	_____	_____
a. Remain independent with regard to the agency's administrative, control, processing, and special project activities?	_____	_____	_____
b. Possess sufficient training, experience, and professional certifications (e.g., CPA, CIA, etc.)?	_____	_____	_____
c. Ensure that internal audit assignments are appropriate to the experience and expertise of the auditors?	_____	_____	_____
d. Adhere to applicable professional standards, practices, and procedures?	_____	_____	_____
e. Properly plan and supervise their work to ensure that the quality of the workpapers meets applicable standards?	_____	_____	_____
f. Have an adequate documentation of the agency's system of internal controls?	_____	_____	_____
g. Perform tests of controls and substantive tests?	_____	_____	_____
h. Have sufficient documentation of their work?	_____	_____	_____
i. Submit reports on their findings to the board of directors or audit committee (rather than the general manager or executive director) in a timely manner?	_____	_____	_____
j. Follow up on corrective actions taken by management?	_____	_____	_____
k. Have direct access to the board of directors or audit committee?	_____	_____	_____
l. Have direct access to records, and the scope of their activities is not limited?	_____	_____	_____

SECTION VI—KEY ACCOUNTS AND TRANSACTION CLASSES

Section VI of the form is designed to help the agency evaluate its control activities for key accounts and transaction classes that impact upon FTA grants and grant activities.

CASH MANAGEMENT

YES NO N/A

Cash Receipts

- | | | | |
|---|-------|-------|-------|
| 1. Is the agency's mail opened by someone other than the cashier, accounts receivable accountant, or other accounting employees who may initiate or post journal entries? | _____ | _____ | _____ |
| 2. Is the delivery of unopened business mail prohibited to employees having access to the accounting records? | _____ | _____ | _____ |
| 3. Does the employee who opens the mail: | | | |
| a. Place restrictive endorsements (e.g., For Deposit Only) on all checks received? | _____ | _____ | _____ |
| b. Prepare a list of the money, checks, and other receipts? | _____ | _____ | _____ |
| c. Forward all remittances to the person responsible for preparing and making the daily bank deposit? | _____ | _____ | _____ |
| d. Forward the total of all remittances to the person responsible for comparing it to the authenticated deposit ticket and amount recorded? | _____ | _____ | _____ |
| 4. Is there an independent listing of cash receipts prepared before the receipts are submitted to the cashier or accounts receivable accountant? | _____ | _____ | _____ |
| 5. Does an independent person verify the cash receipts listing against the deposit slips? | _____ | _____ | _____ |
| 6. Are authenticated deposit slips retained and reconciled to the corresponding amounts in the cash receipts records? | _____ | _____ | _____ |
| 7. Are cash receipts deposited intact daily? | _____ | _____ | _____ |
| 8. Is the bank deposit made by someone other than the cashier or the accounts receivable accountant? | _____ | _____ | _____ |

CASH MANAGEMENT

YES NO N/A

- | | | | |
|--|-------|-------|-------|
| 9. Do cash sales occur for other than fare revenues (e.g., monthly passes, etc.)? If yes: | _____ | _____ | _____ |
| a. Are cash receipts pre-numbered? | _____ | _____ | _____ |
| b. Is an independent check of pre-numbered receipts done daily and reconciled to cash collections? | _____ | _____ | _____ |
| c. Are cash register tape totals reconciled to amount of cash in drawer? | _____ | _____ | _____ |
| d. Do cash refunds require approval? | _____ | _____ | _____ |
| 10. Is the accounts receivable accountant restricted from: | | | |
| a. Preparing the bank deposit? | _____ | _____ | _____ |
| b. Obtaining access to the cash receipts book? | _____ | _____ | _____ |
| c. Having access to collections from customers? | _____ | _____ | _____ |
| 11. Are banks instructed not to cash checks that are drawn to the order of the agency? | _____ | _____ | _____ |
| 12. Is the cashier restricted from gaining access to the accounts receivable records and bank and customer statements? | _____ | _____ | _____ |
| 13. Does the agency have multiple funding sources that are used to fund its operations and capital projects? If yes: | _____ | _____ | _____ |
| a. Are there formal (written) procedures in place to ensure that funds due from all funding sources (federal, state, local) are requisitioned and received timely? | _____ | _____ | _____ |
| b. Is the requisitioning function performed by employees who are independent of the cash receipts function? | _____ | _____ | _____ |
| 14. Are there formal (written) procedures in place to ensure that ECHO (Electronic Clearinghouse Operations) requests for FTA grant funds are made in a way that does not violate federal policy (i.e., the three-day rule)? | _____ | _____ | _____ |
| 15. Is there a log of ECHO requests maintained? | _____ | _____ | _____ |

CASH MANAGEMENT

YES NO N/A

- | | | | |
|--|-------|-------|-------|
| 16. Is the responsibility for making ECHO requests segregated from the responsibility for approving requests and reconciliations (both bank account and grant reconciliations)? | _____ | _____ | _____ |
| 17. Is the ECHO log reconciled regularly to cash receipts reflected on the monthly bank statements by a person independent of the cash receipts and accounts receivable functions? | _____ | _____ | _____ |
| 18. Are ECHO drawdowns reconciled periodically to the amounts reflected as grant disbursements in FTA's TEAM (Transit Electronic Award and Management) system? | _____ | _____ | _____ |
| 19. Are there formal (written) procedures in place to ensure that no more than the allowable federal portion is drawn down? | _____ | _____ | _____ |
| 20. Does a person independent of the cash receipts and accounts receivable functions compare entries to the cash receipts journal with: | | | |
| a. Authenticated bank deposit slips? | _____ | _____ | _____ |
| b. Deposit per the bank statements? | _____ | _____ | _____ |
| c. Listing of cash receipts prepared when mail is opened? | _____ | _____ | _____ |
| d. ECHO request log? | _____ | _____ | _____ |
| 21. Is information adequately captured from remittances for accurate posting of credits to customer accounts or for proper classification regarding its sources (e.g., grant number)? | _____ | _____ | _____ |
| 22. Do postings to the general ledger control accounts and subsidiary accounts include the date on which the remittance was received? | _____ | _____ | _____ |
| 23. Are postings to the general ledger made by a person independent of the cash receipts and accounts receivable functions? | _____ | _____ | _____ |
| 24. Does a responsible official, senior to the accounts receivable accountant, approve journal entries affecting accounts receivable? | _____ | _____ | _____ |
| 25. Are employees with accounts receivable responsibilities required to take vacations, and are other employees cross-trained to perform those functions when an accounts receivable employee is absent? | _____ | _____ | _____ |

CASH MANAGEMENT

YES NO N/A

Fare Revenues

- | | | | |
|---|-------|-------|-------|
| 1. Is cash collected from fareboxes regularly and often? | _____ | _____ | _____ |
| 2. Does the agency restrict cash from being physically handled by drivers/operators? | _____ | _____ | _____ |
| 3. Are there procedures in place to control cash collected by drivers/operators in the farebox? | _____ | _____ | _____ |
| 4. Are there formal (written) procedures for processing and counting cash once collected from the fareboxes? | _____ | _____ | _____ |
| 5. If cash counting is performed: | | | |
| a. Internally: | | | |
| i. Are there controls in place to ensure that all cash is counted? | _____ | _____ | _____ |
| ii. Are the areas where physical handling of cash takes place (e.g., the "money room") reasonably safeguarded? | _____ | _____ | _____ |
| b. Externally: | | | |
| i. Has the agency satisfied itself that proper internal controls at the external organization are in place and functioning as intended? | _____ | _____ | _____ |
| ii. Has the agency reevaluated the controls at the external service organization on a regular basis? | _____ | _____ | _____ |
| 6. Are the results of the cash counts reconciled daily to the farebox reports by a person independent of the cash receipts and cash counting functions? | _____ | _____ | _____ |
| 7. Is revenue cash transported to the bank by a person independent of the cash receipts function? | _____ | _____ | _____ |
| 8. Are postings of fare revenues to the general ledger income accounts made by a person independent of the cash receipts and cash counting functions? | _____ | _____ | _____ |

CASH MANAGEMENT

YES NO N/A

Cash Disbursements

- | | | | |
|--|-------|-------|-------|
| 1. Are all cash disbursements made by check except those made from petty cash? | _____ | _____ | _____ |
| 2. Are pre-numbered checks used and all check numbers accounted for? | _____ | _____ | _____ |
| 3. Are voided checks properly defaced and retained? | _____ | _____ | _____ |
| 4. Are dual signatures required on checks over a predetermined amount?
If yes: | _____ | _____ | _____ |
| a. Are the check signers independent of each other? | _____ | _____ | _____ |
| b. Are invoices, vouchers, and other supporting documents presented to each check signer along with the checks needing signature? | _____ | _____ | _____ |
| 5. Is signing of checks in advance or in blank prohibited? | _____ | _____ | _____ |
| 6. Are checks payable to "Cash" or "Bearer" prohibited? | _____ | _____ | _____ |
| 7. Is access to unused checks limited to authorized persons? | _____ | _____ | _____ |
| 8. Is a check-signing machine used? If yes: | _____ | _____ | _____ |
| a. At all times, are the keys, signature plate, and operation of the signing machine under control of the official whose signature is on the plate? | _____ | _____ | _____ |
| b. Are the employees who have custody of the keys and plate, and who operate the check-signing machine, independent of check-preparation functions and denied access to blank checks? | _____ | _____ | _____ |
| c. Are the checks issued to the machine operator counted in advance, and reconciled with the totals indicated on the check-signing machine by someone other than the machine operator? | _____ | _____ | _____ |
| 9. Are supporting documents for checks properly canceled (e.g., stamped "Paid") to avoid duplicate payments? | _____ | _____ | _____ |
| 10. Do proper safeguards exist to prevent checks that have been mailed from returning to the accounts payable accountant or to the employee who drew the checks? | _____ | _____ | _____ |

CASH MANAGEMENT

YES NO N/A

- 11. Is the check-signing function independent of procurement, cash accounting, and preparation of checks? _____
- 12. Are check signers authorized by the board of directors? _____
- 13. Are all checks promptly recorded upon issuance and listed in detail (e.g., in a check register)? _____
- 14. Are payroll checks drawn against a separate payroll bank account? _____

Cash Account Reconciliations

- 1. Are bank statements, canceled checks, deposit tickets, and related memos received directly from the bank by the employee performing the reconciliations? _____
- 2. Are bank accounts reconciled monthly by a person independent of the cash receipts, general ledger, accounts receivable, or accounts payable functions? _____
- 3. Do bank account reconciliation procedures include:
 - a. Accounting for the sequence of all check numbers? _____
 - b. Examination of paid checks for date, name, endorsement, and cancellation and comparison to the cash disbursements journal? _____
 - c. Comparison of bank deposit detail to cash receipts records? _____
 - d. Investigation of other reconciling items (e.g., checks returned for insufficient funds)? _____
 - e. Follow-up on old outstanding checks? _____
- 4. Is an independent review performed of monthly bank reconciliations? _____

Investments

- 1. Does the agency have formal (written) procedures related to cash management and investment of funds? _____
- 2. Does the agency have procedures in place to ensure that funds held in excess of FDIC limits are collateralized and protected? _____

CASH MANAGEMENT

YES NO N/A

- | | | | |
|--|-------|-------|-------|
| 3. Are investment securities kept in a safe vault? If yes: | _____ | _____ | _____ |
| a. Is a record kept of all visits to the vault? | _____ | _____ | _____ |
| b. Is the presence or signature of two or more designated persons required to open the vault? | _____ | _____ | _____ |
| c. Is a detail record (e.g., certificate number, description) kept of each security? | _____ | _____ | _____ |
| d. Are the securities periodically inspected and compared with detailed investment records by employees independent of the custodian and with the general ledger? | _____ | _____ | _____ |
| 4. Are all securities held in the name of the agency? | _____ | _____ | _____ |
| 5. Is custody of investment securities held by the agency assigned to bonded employees? | _____ | _____ | _____ |
| 6. Is the custodian of securities independent of the accounting function? | _____ | _____ | _____ |
| 7. Are purchases, exchanges, sales, and pledges of investments initiated and approved by designated officers? | _____ | _____ | _____ |
| 8. Are investments held in custodial accounts with a bank, trustee, or broker? If yes: | _____ | _____ | _____ |
| a. Are account statements from these parties regularly reconciled with the general ledger control account? | _____ | _____ | _____ |
| b. Is there a periodic review of the reputation and financial position of the parties that are ensuring completion of investment transactions? | _____ | _____ | _____ |
| 9. Is documented management authorization of transactions compared with evidence of execution of transactions (e.g., brokers' advices) promptly, and are differences investigated? | _____ | _____ | _____ |
| 10. Are procedures in place to ensure that investment income is recorded properly and collected in a timely manner? | _____ | _____ | _____ |
| 11. Is a periodic review of the investment portfolio made by designated officers? | _____ | _____ | _____ |

FIXED ASSETS

YES NO N/A

Recording

- | | | | |
|---|-------|-------|-------|
| 1. Does the agency maintain formal (written) capitalization policies to govern which types of charges are capitalized as fixed assets? | _____ | _____ | _____ |
| 2. Are the methods for selecting useful lives and depreciation policy clearly defined and approved by designated personnel? | _____ | _____ | _____ |
| 3. Are there controls in place to ensure that only appropriate charges are capitalized as fixed assets? | _____ | _____ | _____ |
| 4. Does the agency have a well-defined policy for distinguishing between capital expenditures and repairs and maintenance expenditures? | _____ | _____ | _____ |
| 5. Are detailed fixed assets subsidiary records maintained, and do they include: | | | |
| a. Asset description? | _____ | _____ | _____ |
| b. Identification number? | _____ | _____ | _____ |
| c. Cost? | _____ | _____ | _____ |
| d. Acquisition date? | _____ | _____ | _____ |
| e. Depreciation method? | _____ | _____ | _____ |
| f. Related depreciation? | _____ | _____ | _____ |
| g. Useful life? | _____ | _____ | _____ |
| h. Percentage of federal participation? | _____ | _____ | _____ |
| i. Grant number under which it was procured? | _____ | _____ | _____ |
| j. Location? | _____ | _____ | _____ |
| k. Who holds title? | _____ | _____ | _____ |
| l. Current condition of asset? | _____ | _____ | _____ |
| 6. Are the detailed records reconciled regularly to the general ledger control accounts throughout the year? | _____ | _____ | _____ |

FIXED ASSETS

YES NO N/A

7. Are acquisitions of property authorized by designated personnel for:

- a. All capital expenditures? _____
- b. Major renovations? _____
- c. Major repair jobs? _____

Fixed Assets Inventory

- 1. Are all fixed assets physically inspected periodically and compared to detail records, at least every two years as required by FTA? _____
- 2. Are written instructions and procedures followed for fixed assets inventory counts and is compliance with them checked? _____
- 3. Are fixed assets inventory counts supervised by qualified persons following the written instructions and procedures? _____
- 4. Does the fixed assets inventory process ensure that the current condition of assets is noted and updated in the fixed assets records? _____
- 5. Are fixed assets/property custodians independent of the fixed assets accounting function? _____
- 6. Are all fixed assets adjustments documented, and do they require management approval? _____

Fixed Assets Disposals

- 1. Does the agency have formal (written) procedures to govern the disposal of fixed assets and property? _____
- 2. Does the retirement or sale of property require the review and approval of designated personnel? _____
- 3. Are procedures in place to ensure that the rationale for disposal is documented and approved for all fixed assets disposed? _____
- 4. Are procedures in place to ensure that property physically retired is properly removed from the accounting records and that the proceeds from sale, if any, are properly accounted for? _____

FIXED ASSETS

YES NO N/A

5. Are there controls in place to ensure that FTA receives its share of any proceeds upon disposal of grant-funded assets, if required? _____

Fixed Assets Safeguards

1. Are physical safeguards (e.g., alarms, guards, restricted access) over property in place? _____
2. Is all property adequately insured and is insurance coverage reviewed periodically? _____
3. Are depreciable lives reviewed periodically by management and compared to actual experience for adequacy? _____
4. Are procedures in place to identify possible impairments in the carrying amounts of long-lived assets? _____

Fixed Assets Maintenance

1. Does the agency have formal (written) maintenance procedures for maintaining grant-funded rolling stock assets in serviceable condition? _____
2. Does the agency have controls in place to ensure that fixed assets preventive maintenance schedules are adhered to? _____
3. Do the agency's controls ensure that standards for timely preventive maintenance are achieved more than 80 percent of the time for all scheduled maintenance? _____
4. Is senior management kept informed on the status of the performance of preventive maintenance on rolling stock assets? _____

Spare Parts

1. Are spare parts inventories adequately safeguarded and insured? _____
2. Are employees who are responsible for custody of spare parts inventories independent of the inventory recording and accounting functions? _____
3. Are receiving reports for all incoming parts and materials prepared for the accounting/finance department matched with purchase orders and invoices? _____

FIXED ASSETS

YES NO N/A

- | | | | |
|--|-------|-------|-------|
| 4. Are perpetual inventory records maintained for supplies and spare parts? | _____ | _____ | _____ |
| 5. Do the perpetual records show: | | | |
| a. Quantities? | _____ | _____ | _____ |
| b. Unit costs? | _____ | _____ | _____ |
| c. Aggregate dollar values? | _____ | _____ | _____ |
| 6. Are the perpetual records kept by employees who have no access to the spare parts inventory? | _____ | _____ | _____ |
| 7. Are perpetual inventory records checked regularly by cycle counts? If yes: | _____ | _____ | _____ |
| a. Are all classes of inventory subjected to cycle counts? | _____ | _____ | _____ |
| b. Are significant differences between cycle counts and perpetual records investigated and reconciled? | _____ | _____ | _____ |
| c. Are inventory adjustments documented and do they require management approval? | _____ | _____ | _____ |
| 8. Are full inventories of spare parts taken at the end of the fiscal year? | _____ | _____ | _____ |
| 9. Are significant differences between physical counts and perpetual records investigated promptly? | _____ | _____ | _____ |
| 10. Are perpetual records reconciled periodically to the controlling accounts in the general ledger? | _____ | _____ | _____ |
| 11. Are perpetual records adjusted to physical inventory counts at least once a year, and are adjustments to the inventory records approved by a responsible employee? | _____ | _____ | _____ |
| 12. Are written instructions and procedures followed for inventory counts, and is compliance with them checked? | _____ | _____ | _____ |
| 13. Are inventory counts supervised by qualified persons following the written instructions and procedures? | _____ | _____ | _____ |

FIXED ASSETS

YES NO N/A

14. Are priced inventory sheets numerically controlled and verified as to:

- a. Quantities? _____
- b. Unit cost? _____
- c. Extensions and footings? _____

15. Are costs, extensions, and footings of the inventory listings verified by a second person? _____

16. Are spare parts inventory adjustments documented, and do they require management approval? _____

PROCUREMENT

YES NO N/A

Assessment of Need

1. Does the agency have a written Procurement Manual? If yes: _____

- a. Does it conform to FTA's procurement regulations? _____

2. Does the agency have a procurement department? If yes: _____

- a. Is it independent of the accounting/finance and receiving departments? _____

3. Are departments other than the agency's procurement department authorized to make purchases? If yes: _____

- a. Are there procedures in place to control these purchases? _____
- b. Are dollar limits established for these departments? _____
- c. Are purchases made by other departments reviewed by the procurement department for appropriateness, availability of funds, and to avoid purchase of unnecessary or duplicative items? _____

4. Are proposed procurements made only after the respective department heads sign off on purchase requisitions? _____

PROCUREMENT

YES NO N/A

Procurement Structure

- 1. Regarding the type of procurement arrangement to be structured (i.e., small purchase, sealed bid, competitive proposal--either fixed price or cost-reimbursement, non-competitive/sole source):
 - a. Is the decision on procurement type based on predetermined dollar limits?
 - b. Is the procurement structure approved by senior management levels or by the board of directors?
- 2. Are small purchases periodically monitored for appropriateness (i.e., to ensure that multiple small purchases are not being made to circumvent the requirements/procedures for large purchases)?
- 3. Are purchases by credit card authorized and allowed? If yes:
 - a. Are there procedures/limitations in place to regulate their use?
 - b. Are monthly statements reviewed for appropriateness of purchases, by either the procurement department or by other agency officials?
- 4. Are items purchased only after competitive bids are obtained? If yes, are competitive bids obtained for:
 - a. All purchases, specific types of purchases, or purchases over predetermined dollar limits?
- 5. Are purchase orders sent to vendors for all purchases, specific types of purchases, or purchases over predetermined dollar limits?
- 6. Do purchase orders specify:
 - a. Description of items?
 - b. Quantity?
 - c. Price?
 - d. Terms?
 - e. Delivery requirements and dates?

PROCUREMENT

YES NO N/A

- 7. Is a list of open purchase orders maintained and reviewed periodically? _____
- 8. Are purchase order forms pre-numbered? _____
- 9. Is the sequence of purchase order numbers accounted for periodically? _____
- 10. Does the agency's procurement or requisitioning department develop independent cost estimates before receiving bids or proposals? _____

Vendor Qualification

- 1. Does the agency maintain an approved vendors list? If yes:
 - a. Is the approved vendors list kept current? _____
 - b. Does the approved vendors list include pre-qualified vendors for certain types of procurements? _____
- 2. Are assessments made of a vendor's ability to successfully perform before a contract is awarded? If yes, does this assessment consider:
 - a. The vendor's technical capability to perform? _____
 - b. The vendor's financial position and financial capacity? _____
 - c. The vendor's past performance? _____

Vendor Selection

- 1. Are there formal (written) selection procedures used for each type of procurement, including procedures for evaluating the technical aspects of a procurement? _____
- 2. Do the agency's procurement procedures specify the documentation that is required to be maintained for each procurement? _____
- 3. Are the decision criteria and results documented and retained? _____

Civil Rights

- 1. Do the agency's procurement procedures ensure that minority firms and women-owned business enterprises are used whenever possible? _____

PROCUREMENT

YES NO N/A

- 2. If Disadvantaged Business Enterprises (DBEs) must be utilized or invited to bid, are there procedures in place to identify potential DBE vendors and ensure appropriate communication of solicitations to DBEs?

Contract Modifications

- 1. Are there procedures in place to ensure that modifications requested by a vendor are not already in the original scope of work?
- 2. Are requirements analyses prepared by the user departments and approved by the procurement department before the contract modifications are issued?
- 3. Is there a process in place for developing independent cost estimates in connection with cost modifications?
- 4. Are there procedures in place to ensure that the vendor is qualified to perform the additional services?

Dispute Resolution

- 1. Are there documented (written) policies for handling contract disputes with vendors?
- 2. Do the dispute resolution policies specify under which circumstances or at what point FTA should be informed of a contract dispute with a vendor?

Conflicts of Interest

- 1. Does the agency have written standards of conduct in place that define real or perceived conflicts of interest relative to the performance of the agency's representatives involved in the award or administration of contracts? If yes:
 - a. Are the agency's contracting representatives made aware of these standards?
 - b. Are the standards enforced?

ACCOUNTS PAYABLE

YES NO N/A

- | | | | |
|--|-------|-------|-------|
| 1. Does the agency have detailed written procedures for processing accounts payable transactions? If yes: | _____ | _____ | _____ |
| a. Are the procedures current and accessible to all staff involved in the processing of accounts payable transactions? | _____ | _____ | _____ |
| 2. Do the agency's accounts payable processing procedures describe the criteria for deciding what to pay and when to pay certain invoices? | _____ | _____ | _____ |
| 3. Is a log maintained of all goods and/or services received? | _____ | _____ | _____ |
| 4. Does the receiving department prepare receiving reports to verify receipt of goods and/or services received? If yes, are receiving reports: | _____ | _____ | _____ |
| a. Prepared for all items? | _____ | _____ | _____ |
| b. Pre-numbered? | _____ | _____ | _____ |
| 5. At the time that goods and/or services are received, and before acceptance, does someone independent of the procurement department check the terms of the purchase order as to: | | | |
| a. Description? | _____ | _____ | _____ |
| b. Quantities? | _____ | _____ | _____ |
| c. Condition? | _____ | _____ | _____ |
| d. Price? | _____ | _____ | _____ |
| 6. Are copies of receiving reports: | | | |
| a. Furnished to the accounting/finance department? | _____ | _____ | _____ |
| b. Furnished to the procurement department? | _____ | _____ | _____ |
| c. Filed in the receiving department? | _____ | _____ | _____ |
| 7. Are receipts under blanket purchase orders monitored, and are quantities exceeding authorized totals returned to vendor? | _____ | _____ | _____ |
| 8. Are procedures in place for the proper accounting for partial deliveries of purchase orders? | _____ | _____ | _____ |

ACCOUNTS PAYABLE

YES NO N/A

- 9. Are procurement and receiving functions separate from invoice processing, accounts payable, and general ledger functions? _____
- 10. Are vendors' invoices, receiving reports, and purchase orders matched (i.e., three-way match) before invoices are processed? _____
- 11. Are open (i.e., unmatched) receiving reports recorded as a liability at month-end? _____
- 12. Are all vendors instructed to mail their invoices to the same name/department and address? _____
- 13. Are vendor invoices checked as to:
 - a. Prices? _____
 - b. Extensions and footings? _____
 - c. Freight charges or allowances? _____
 - d. Credit terms? _____
- 14. Are controls in place to ensure that all available vendor discounts are taken? _____
- 15. Are purchases recorded in a purchase register or voucher register before being processed through cash disbursements? _____
- 16. Does a responsible employee assign the appropriate general ledger account distribution to which the invoices are to be posted? If yes: _____
 - a. Is the general ledger account coding reviewed and approved prior to posting? _____
- 17. Are there procedures in place to ensure that costs coded to FTA grants/projects are reasonable, allowable, and allocable? If yes: _____
 - a. Is the coding to FTA grants/projects reviewed and approved prior to posting? _____
- 18. Are there procedures in place to ensure that invoices have been processed before payment and to prevent duplicate payment (e.g., a block stamp)? _____

ACCOUNTS PAYABLE

	YES	NO	N/A
19. Does a responsible official approve invoices for payment?	_____	_____	_____
20. Are there procedures in place to avoid the risk that a project manager or department head could misplace an invoice before approving it and submitting it to accounts payable?	_____	_____	_____
21. Are open (i.e., unmatched) receiving reports, purchase orders, and vendors' invoices periodically reviewed and investigated for proper recording?	_____	_____	_____
22. Is the accounts payable ledger or voucher register reconciled monthly to the general ledger control accounts?	_____	_____	_____
23. Are statements from vendors regularly reviewed and reconciled against recorded liabilities?	_____	_____	_____
24. Do adjustments to accounts payable (e.g., write-off of Debit balances) require the approval of a designated official?	_____	_____	_____

PAYROLL

	YES	NO	N/A
1. Are personnel/human resources records maintained independent of the payroll processing and timekeeping functions?	_____	_____	_____
2. Are there specific controls and procedures (written) established to govern the payroll set-up and modification process to ensure that only (and all) authorized employees are paid, at the correct wage rates?	_____	_____	_____
3. Are procedures accessible to all staff involved in payroll processing?	_____	_____	_____
4. Are the payroll accounting and general ledger functions independent?	_____	_____	_____
5. Are changes to payroll information (e.g., pay grades/positions, pay rates, withholdings, benefit elections, etc.) not made unless the personnel/human resources department sends approved notification directly to the payroll department?	_____	_____	_____
6. Are payroll information changes reviewed and approved to ensure they have been correctly entered?	_____	_____	_____

PAYROLL

YES NO N/A

- 7. Are salary and wage rates authorized in writing by a designated official and/or fixed by union contract? _____
- 8. Are signed authorizations maintained on file for employees whose wages are subject to special deductions? _____
- 9. Are bonuses, commissions, and overtime:
 - a. Approved in advance? _____
 - b. Reviewed for compliance with agency policy? _____
- 10. Are sick leave, vacations, and holidays reviewed for compliance with agency policy? _____
- 11. Are appropriate forms (e.g., W-4) completed and signed by employees to authorize payroll deductions and withholding exemptions? _____
- 12. Are the payroll accounting records periodically checked against the personnel records for terminated employees, fictitious employees, etc.? _____
- 13. Does the agency use a time clock and/or timesheets to capture payroll hours for:
 - a. General office workers? _____
 - b. Operations/maintenance workers? _____
- 14. If the agency uses a time clock, are time cards:
 - a. Punched by the employee in the presence of a designated supervisor? _____
 - b. Signed by a supervisor at the end of the payroll period? _____
- 15. If the agency uses time sheets for certain employees, are time sheets:
 - a. Signed by the employee at the end of the payroll period? _____
 - b. Signed by a supervisor at the end of the payroll period? _____
- 16. Are time cards and time sheets reviewed and compared with:

PAYROLL

YES NO N/A

- a. The payroll distribution report? _____
- b. Production schedules (route schedules, dispatch reports, etc.)? _____
- 17. Before payroll is disbursed, are payroll registers reviewed and approved for:
 - a. Names of employees? _____
 - b. Hours worked? _____
 - c. Wage rates? _____
 - d. Deductions? _____
 - e. Agreement with payroll checks? _____
 - f. Unusual items? _____
- 18. Are employees paid out of a separate payroll bank account? _____
- 19. Are payroll checks pre-numbered and issued in numerical sequence? _____
- 20. Is access to the following restricted?
 - a. Unissued payroll checks? _____
 - b. Signature plate? _____
- 21. Are checks drawn and signed by designated officials who do not:
 - a. Prepare the payroll? _____
 - b. Have access to the accounting records? _____
 - c. Have custody of cash funds? _____
- 22. Are payroll checks distributed by someone other than the:
 - a. Department heads or supervisors that approve time cards or time sheets? _____
 - b. Persons who prepare the payroll? _____

PAYROLL

YES NO N/A

- | | | | |
|---|-------|-------|-------|
| 23. Is the distribution of the payroll rotated periodically to different employees without prior notice? | _____ | _____ | _____ |
| 24. Is the payroll bank account reconciled by a designated employee who: | | | |
| a. Is not involved in preparing the payroll? | _____ | _____ | _____ |
| b. Does not sign the checks? | _____ | _____ | _____ |
| c. Does not handle the check distributions? | _____ | _____ | _____ |
| 25. Do payroll bank account reconciliation procedures include: | | | |
| a. Comparing the paid checks to the payroll? | _____ | _____ | _____ |
| b. Scrutinizing canceled check endorsements? | _____ | _____ | _____ |
| 26. Are the payroll registers reconciled regularly to the general ledger control accounts? | _____ | _____ | _____ |
| 27. Is a liability account set up for all wages that have remained unclaimed for a certain period of time? If yes: | _____ | _____ | _____ |
| a. Have these wages been re-deposited in a special bank account? | _____ | _____ | _____ |
| b. Is identification required to be presented at the time of their subsequent distribution? | _____ | _____ | _____ |
| 28. Are distributions of hours (direct and indirect) to activity or departments reviewed and approved by supervisory personnel? | _____ | _____ | _____ |
| 29. Are actual payroll amounts reviewed and compared to budgeted amounts, and are variances analyzed regularly? | _____ | _____ | _____ |
| 30. Are detailed records maintained of the agency's liability for vacation pay and sick pay? If yes: | _____ | _____ | _____ |
| a. Are they reconciled to the general ledger accounts periodically? | _____ | _____ | _____ |
| 31. Are payroll accruals approved by a responsible official? | _____ | _____ | _____ |

PAYROLL

YES NO N/A

Force Account Labor

- 1. Does the agency charge its own employee labor directly to capital projects funded by grants? If yes: _____

 - a. Does the agency have a force account plan that has been approved by FTA, if applicable? _____
 - b. Does the agency have formal procedures (written) for determining which labor hours are to be capitalized and charged to FTA grants? _____
 - c. Are authorizations and approvals needed or obtained prior to when the work is done? _____
 - d. Is the timing of force account labor controlled by a capital projects schedule, rather than allowing project managers (foremen) or agency management the latitude over when this is done? _____
 - e. Are there procedures in place to ensure that force account labor is not both expensed and capitalized? _____
 - f. Are there controls in place to govern the utilization of overtime labor on capital projects? _____

OVERHEAD

YES NO N/A

Cost Allocation Plan

- 1. Does the agency have an indirect Cost Allocation Plan (CAP) that has been approved by FTA, or other cognizant federal agency, if applicable? If yes: _____

 - a. Does the agency have formal (written) procedures in place to ensure that its CAP is prepared in accordance with OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*? _____
 - b. Do the procedures for developing the CAP ensure that indirect costs are allocated on an appropriate basis (i.e., direct labor, total direct costs, etc.)? _____

OVERHEAD

YES NO N/A

- c. Does the agency require management approvals of the CAP prior to application of the resultant rates, or prior to submission to FTA for approval, if required? _____
- d. Are there controls in place to ensure that the CAP rates are correctly applied to the appropriate costs? _____

Overhead Labor Costs

- 1. Does the agency have a method for determining which overhead labor hours are to be capitalized? _____
- 2. Is there a review and authorization process to ensure that capitalization of indirect labor is properly charged within FTA parameters? _____

Indirect Costs

- 1. Are there procedures in place for charging other indirect costs to capital projects, such as percentages of certain overhead support functions (e.g., legal, IT/EDP, etc.)? _____
- 2. Is there a review and authorization process whereby the types of charges are identified and approved? _____
- 3. Do procedures exist to ensure that indirect costs:
 - a. Are charged to capital projects on a regular basis (e.g., monthly)? _____
 - b. Are correctly calculated? _____
 - c. Are reviewed for reasonableness and consistency? _____
 - d. Are properly authorized? _____

Direct Costs

- 1. Are there procedures in place for charging certain direct costs (e.g., supplies, construction equipment, etc.) to capital projects? _____
- 2. Is there a review and authorization process whereby the direct costs are identified, verified, approved, and charged to the project accounting system? _____

OVERHEAD

YES NO N/A

- 3. Do procedures exist to ensure that direct costs are:
 - a. Coded or charged to the correct capital projects? _____
 - b. Correctly accumulated and correct in amount? _____
 - c. Reviewed for reasonableness? _____
 - d. Properly authorized? _____

BUDGET CONTROLS

YES NO N/A

Operating Budget

- 1. Does the agency have detailed formal (written) procedures for formulating the annual operating budget? If yes:
 - a. Are these procedures current and accessible to all staff involved in the budget formulation process? _____
- 2. Is the operating budget prepared in sufficient detail to provide a meaningful tool by which to monitor performance? _____
- 3. Are senior management approvals and/or board of director approvals needed to enact the operating budget? _____
- 4. Is performance against the operating budget reviewed by responsible individuals throughout the course of the year? If yes:
 - a. Is budget performance measured regularly (e.g., monthly, quarterly)? _____
 - b. Is budget performance measured and reported within a reasonable amount of time after the end of the period? _____
 - c. Are actual expenditures compared with budgeted amounts and variances investigated and explained? _____
 - d. Are actual expenditures compared with prior year amounts and variances analyzed and explained? _____

BUDGET CONTROLS

YES NO N/A

- e. Is variance analysis performed at a sufficient level of detail by which to adequately monitor operating performance (i.e., at the budget line item level)? _____
- f. Is appropriate documentation maintained as evidence of variance investigation and in support of variance explanations? _____
- g. Are the results of variance analyses provided to senior management? _____

Capital Project/Grant Planning

- 1. Are there procedures in place for planning capital projects and for obtaining grant funding? _____
- 2. Are appropriate departments involved in the capital project/grant planning process (i.e., planning, engineering, customer service, etc.)? _____
- 3. Do procedures exist to ensure that the agency's plans as described in the Transportation Improvement Plan are being followed? _____
- 4. Are there procedures in place to provide assurance that required approvals and funding commitments are obtained from FTA and from appropriate state/local funding sources before spending commitments are entered into? _____

Capital Budget

- 1. Does the agency have detailed written procedures for formulating the annual capital budget? If yes:
 - a. Are these procedures current and accessible to all staff involved in the budget formulation process? _____
 - b. Is the capital budget formulation process coordinated with the operating budget process? _____
 - c. Are appropriate departments involved in the capital budget development process (i.e., planning, engineering, construction, project management, etc.)? _____
- 2. Is the capital budget prepared in sufficient detail to provide a meaningful tool by which to monitor capital project progress? _____

BUDGET CONTROLS

YES NO N/A

- 3. Are senior management approvals and/or board of director approvals needed to enact the capital budget? _____
- 4. Is performance against the capital budget reviewed by responsible individuals throughout the course of the year? If yes: _____
 - a. Is budget performance measured regularly (e.g., monthly)? _____
 - b. Is budget performance measured and reported within a reasonable amount of time after the end of the period? _____
 - c. Are actual expenditures compared with budgeted amounts and variances investigated and explained? _____
 - d. Is variance analysis performed at a sufficient level of detail by which to adequately monitor progress or performance (i.e., at the budget line item level)? _____
 - e. Is appropriate documentation maintained as evidence of variance investigation and in support of variance explanations? _____
 - f. Are the results of variance analyses provided to senior management? _____

GRANTS MANAGEMENT

YES NO N/A

Grant Records

- 1. Does the agency use a separate grants management system (i.e., apart from the agency's main financial management/general ledger system) to track grant activity? If yes: _____
 - a. Does this system accumulate both current year grant activity, as well as cumulative (inception-to-date) financial information for each grant held? _____
 - b. Does this system track special classifications, if any, of grant expenditures? _____
 - c. Does this system track grant financial information by grant budget line item? _____

GRANTS MANAGEMENT

YES NO N/A

- d. Does this system track milestone information, as well as budget and financial information? _____
- e. Is there a process for reconciling grant financial information per this system to the agency's general ledger system? _____
- f. Is there a process for reconciling grant financial information per this system to FTA's TEAM system? _____
- g. Are reconciliations of the grants management system performed regularly (i.e., monthly, quarterly)? _____
- 2. Does the agency have a documented process for determining whether grant expenditures are allowable before they are incurred? _____
- 3. Once incurred, does the agency have procedures in place to ensure that only approved and allowable costs have been charged to grants? _____
- 4. Is there a process preventing charges from being posted against grants incorrectly, or for reversing incorrect charges? _____
- 5. Are there procedures in place to govern the recording of contract change orders in the grants management system? _____
- 6. For change orders recorded, is historical grant data maintained (i.e., do grant records reflect incremental changes rather than having information be overwritten)? _____
- 7. Are change orders recorded in the grants management system on a timely basis? _____

Encumbrances

- 1. Does the agency track major encumbrances of grant balances for project expenses? If yes: _____
 - a. Does the agency have detailed written procedures to describe the documentation required to establish encumbrances against grants and to control the flow of documentation? _____
 - b. Is there a review and authorization process to ensure that encumbrance amounts are established against the correct grants and are recorded correctly? _____

GRANTS MANAGEMENT

YES NO N/A

- c. Are encumbrance amounts recorded/released/adjusted at the individual grant level by the agency's grants management system? _____
- d. Does the grants management system (or other system that tracks encumbrances) interface with the procurement system? _____

Grant Reporting

- 1. Are there formal (written) procedures in place to ensure that quarterly financial status reports (FSRs) are prepared and submitted to FTA timely (i.e., submitted within 30 days after quarter end)? _____
- 2. Is the agency's grants management system used as the source for obtaining financial information for the FSRs? _____
- 3. Is there a documented review and authorization process prior to submission to FTA to ensure that FSRs are complete and accurate? _____
- 4. Is there a process for reconciling FSR information for individual grants to the general ledger system? _____
- 5. Is there a process for reconciling FSR information for individual grants to the information tracked by FTA's TEAM system? _____
- 6. Are FSRs prepared on the accrual basis as required by FTA? _____

Budget Revisions

- 1. Are there formal (written) procedures in place to ensure that grant budget revisions are made only when properly authorized and justified? Specifically: _____
 - a. Do the procedures describe the documentation required to initiate a grant budget revision? _____
 - b. Do the procedures describe the process for recording budget revisions in the grants management system and main financial management system? _____
 - c. Is there a review and authorization process in place? _____
 - d. Are the same departments involved as those included in the capital budget development process? _____

GRANTS MANAGEMENT

YES NO N/A

2. Are there procedures in place to ensure that grant budget revisions are communicated to FTA in a timely manner, and approved by FTA, if required?

Grant Close-Out

1. Does the agency have formal (written) policies and procedures in place for closing out grants?

2. Do the agency's grant close-out procedures:

- a. Specify what documentation should be maintained related to the close-out of a grant?

- b. Ensure that grants are closed out and final FSRs are submitted on a timely basis?

- c. Ensure that inactive grants with unspent balances are not carried forward beyond when close-out should occur (i.e., when all approved grant project activities are complete)?

- d. Ensure that inactive grants with excess balances are not being used for other projects without the advance approval of FTA?

PROJECT MANAGEMENT

YES NO N/A

Project Accounting

1. Does the agency use a separate project management/tracking system (i.e., apart from the main financial management/general ledger system) to track progress of construction capital projects? If yes:

- a. Is the agency's project management system used as the source for obtaining narrative project milestone information for quarterly FSR reporting to FTA?

- b. Does this system track project milestone information, as well as budget and financial information?

- c. Is there a process for reconciling project costs per the project management system to the agency's general ledger system?

PROJECT MANAGEMENT

YES NO N/A

- d. Is there a process for reconciling project costs per the project management system to the agency's grants management system? _____
- e. Are reconciliations of the project management system performed regularly (e.g., monthly, quarterly)? _____
- f. Are receiving documents, purchase orders (or contracts), and invoices matched before transactions are recorded in the project management system? _____

Project Management

- 1. Does in-house construction require authorized work orders? _____
- 2. Is construction-in-progress regularly reviewed for adherence to budgeted amounts? _____
- 3. Do engineers and project managers use non-dollar metrics (i.e., other than dollar percentage of completion) to measure the progress of capital construction projects? _____
- 4. Are project status meetings held on a regular basis? _____
- 5. Are project status reports prepared and reviewed regularly with project managers and senior management? _____
- 6. Do regular project status meetings and/or project status reports provide an effective means for identifying and addressing problem areas or project crises as they arise? _____
- 7. Are problem areas dealt with within a reasonable time frame? _____
- 8. Is there a process in place to keep FTA informed of problems that could potentially impact FTA capital project grants? _____
- 9. If a problem requires a contract change, is there a documented process for initiation, funding, and review/approval of the change order? _____
- 10. If a contract change order results in the need for a grant budget revision, is there a documented process for preparation, review, and approval of the budget revision request, prior to submission to FTA? _____

IT CONTROLS

YES NO N/A

- | | | | |
|--|-------|-------|-------|
| 1. Is the IT department independent of all user departments? | _____ | _____ | _____ |
| 2. Is there clear segregation of duties between computer programmers and computer operators? | _____ | _____ | _____ |
| 3. Are IT personnel prohibited from initiating transactions and making changes to master files? | _____ | _____ | _____ |
| 4. Are computer operators required to take annual vacations and are their duties rotated periodically? | _____ | _____ | _____ |
| 5. Is access to the data center/computer room restricted to authorized personnel only? | _____ | _____ | _____ |
| 6. Are computer programmers prohibited from accessing production programs, job control language, and live data files? | _____ | _____ | _____ |
| 7. Are computer operators prohibited from accessing source code and programming documentation? | _____ | _____ | _____ |
| 8. Is new or revised program testing on live data files strictly prohibited? | _____ | _____ | _____ |
| 9. Are utility programs adequately controlled and their use logged for subsequent management review? | _____ | _____ | _____ |
| 10. Are unique and confidential passwords required to access IT systems? | _____ | _____ | _____ |
| 11. Are passwords changed at regular intervals and canceled for terminated employees? | _____ | _____ | _____ |
| 12. Are there restrictions on the length and type of password that can be chosen? | _____ | _____ | _____ |
| 13. Do individuals have access only to those programs or files that are necessary to perform their duties? | _____ | _____ | _____ |
| 14. Are there procedures in place for documenting new systems and programs, as well as documenting modifications of existing ones? | _____ | _____ | _____ |
| 15. Do system and program development procedures require active involvement by the users, including: | _____ | _____ | _____ |
| a. User involvement in the design and approval of systems? | _____ | _____ | _____ |

IT CONTROLS

YES NO N/A

b. User review of the completion of various phases of the application?	_____	_____	_____
c. User testing of new programs?	_____	_____	_____
16. Are system and program modifications subject to appropriate testing, and are test results reviewed and approved by user department and IT management?	_____	_____	_____
17. Are schedules prepared and adhered to for processing of computer applications?	_____	_____	_____
18. Are adequate job set-up and execution procedures in place over:			
a. Setting up of batch jobs?	_____	_____	_____
b. Loading on-line application systems?	_____	_____	_____
c. Loading system software?	_____	_____	_____
d. Input and output media to be used?	_____	_____	_____
19. Are there procedures in place for identifying, reporting, and approving operator actions over:			
a. Initial loading of system and application software?	_____	_____	_____
b. System failures?	_____	_____	_____
c. Restart and recovery?	_____	_____	_____
d. Emergency situations?	_____	_____	_____
e. Any other unusual situations?	_____	_____	_____
20. Are logs used to record operator activities? If yes:	_____	_____	_____
a. Are they reviewed by appropriate personnel?	_____	_____	_____
21. Are the agency's application programs compatible with each other?	_____	_____	_____
22. Are there procedures in place to control logical access to computer applications and data files, to achieve the following:	_____	_____	_____

IT CONTROLS

	YES	NO	N/A
a. Restricting access to confidential and sensitive data?	_____	_____	_____
b. Reducing the risk of entering unauthorized transactions into processing?	_____	_____	_____
c. Detecting unauthorized changes to programs supporting the financial statements?	_____	_____	_____
d. Controlling programmer access to production programs and live data files?	_____	_____	_____
e. Controlling operator access to source code and individual elements of data files?	_____	_____	_____
f. Limiting access by users to defined programs and data files?	_____	_____	_____
23. Are there procedures in place to prevent the introduction of viruses and to recover from a virus infection? If yes, do they include:	_____	_____	_____
a. Obtaining only recognized software from reputable sources?	_____	_____	_____
b. Accepting only delivery of software in the manufacturer's sealed package?	_____	_____	_____
c. Using virus protection software to screen for virus infections?	_____	_____	_____
d. Prohibiting the use of unauthorized programs introduced by employees?	_____	_____	_____
e. Prohibiting downloading of untested software from unknown sources?	_____	_____	_____
24. Are there appropriate procedures for backup and storage of programs and data files?	_____	_____	_____
25. Are critical data files, systems, and program libraries backed up regularly and stored off-site?	_____	_____	_____
26. Has the agency developed a formal (written) contingency or disaster recovery plan to provide alternative processing and continued data services in the event of an emergency or disaster that results in loss or interruption of the IT function? If yes:	_____	_____	_____

IT CONTROLS

YES NO N/A

- a. Does the contingency or disaster recovery plan include:
 - i. Documented procedures for system recovery? _____
 - ii. Designation of conditions for implementing off-site disaster recovery? _____
 - iii. Procedures for obtaining alternative hardware and software? _____
 - iv. Listing of all critical applications, programs, system software, and data files? _____
 - v. Priorities and schedules for information retrieval? _____
 - vi. Assignment of roles and responsibilities for key employees? _____
 - vii. Listing of all key contacts and their telephone numbers? _____
- b. Have the roles and responsibilities described in the contingency or disaster recovery plan been communicated to the employees identified as key contacts in the plan? _____
- c. Is the contingency or disaster recovery plan tested periodically to ensure its effectiveness? _____
- 27. Does the agency periodically perform an IT risk assessment to identify all potential risks and vulnerabilities, as well as to make decisions about which to mitigate through security controls? _____
- 28. Is there a written security plan that describes the agency's IT security program, as well as the policies and procedures that support it? _____
- 29. Does the agency have an IT security awareness program, the purpose of which is to inform all users of the established IT security policies? _____